CLEAN WATER ACTION
CONNECTICUT

Testimony of Roger Smith, Campaign Director, Clean Water Action Energy and Technology Committee March 9, 2010

Testimony in Support of House Bill 5465: AN ACT CONCERNING THE DEVELOPMENT OF GREEN JOBS.

Clean Water Action is a national environmental non-profit dedicated to protecting human health with 25,000 Connecticut members. We have worked on energy-related issues in Connecticut since 1998. Below are our comments on this bill in order by section.

Section 4: Green Jobs Advisory Board

Clean Water Action agrees with the intent of this section to introduce accountability into our state's efforts to promote and grow green jobs. We suggest that the DPUC may not be the ideal entity to coordinate a green jobs advisory board as "green jobs" goes far beyond regulated utilities. DEP and DECD might be more appropriate conveners. Department of Consumer Protection (licensing) and Department of Labor should also be involved along with the Institute for Sustainable Energy which does green job training. We also noted that the only non-state entities to be listed below are the electric gas distribution companies (but not gas or water utilities). We suggest striking them or adding other explicit appointments for representatives of organized labor, non-profits concerned with low-income residents, and non-profits concerned with environmental protection and environmental justice.

We also suggest adding to (b) a clause to also "track and coordinate state applications for federal funding related to the development of green industries and green jobs training."

Section 5: Property Assessed Clean Energy

This section is perhaps the most far-reaching in the bill. To be able to compete with other states for federal dollars and to reach customers who need financing help, Connecticut needs to have a portfolio of financing mechanisms. Revolving loan funds and Property Assessed Clean Energy (PACE) programs are two important mechanisms to support different types of measures and different customers.

The key attribute of PACE is that it can help finance upgrades over longer periods of time (up to 20 years) and a customer can transfer the PACE loan with the property. Few people make 20 year commitments to live in one house. It should also be completely fuel-neutral and support renewable energy systems, electricity conservation measures and heating fuel conservation upgrades.

Connecticut cannot realistically run 169 different PACE programs, so it will be important to create a statewide structure that municipalities can opt to join. The Clean Energy Fund has had success hiring a third party administrator to run their successful solar lease program and could acquire similar services to administer PACE and bring scale to the customer application process as well as the process of interesting investors in Connecticut PACE bonds.

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Section 6: Clean Energy Fund mission

The Clean Energy Fund is funded by electric ratepayers to generate renewable forms of electricity. We support clarifying their mission to support investments in renewable charging infrastructure for plug-in hybrid (gas/diesel and electric) *and* plug-in electric vehicles (which only run on electricity.)

We suggest amending the added language to read:

> <u>and for transportation projects, to recharge plug-in hybrid and plug-in electric vehicles with electricity generated by Class I sources.</u>

Regarding the last sentence of the bill it is unclear to what technologies will a declining incentive be required. We suggest clarifying that it's for technologies that the Fund is making considerable investment in (not one-off pilot projects or technology demonstrations).

> <u>On and after January 1, 2011, for each technology receiving more than $2 million in incentive funding per year, the board shall develop a system that provides incentives that decline over time and will foster the sustained, orderly development of a state-based industry.</u>

Section 8: Energy Conservation Incentives

Clean Water Action agrees that it is important not to over-incentivize programs so as to ensure their cost-effectiveness. On the other hand, we can maximize cost effectiveness at the expense of equity and participation by requiring extremely high co-pays for programs such as Home Energy Solutions, for example.

We suggest that this language be modified to explicitly state the overall goal of achieving all-cost effective efficiency (from Public Act 07-242) and encouraging greater customer participation.

In addition, focus groups are also a limited tool and need to be supplemented by surveys and randomized interviews. Customers are not an undifferentiated mass and their different motivations need to be investigated. We suggest that this subsection be modified to read:

> <u>, and (B) conduct, when applicable, customer surveys, focus groups and interviews to determine the appropriate incentive to induce the desired level of participation in the programs described in this subsection and to enable the tailoring of marketing and incentives for different customer segments.</u>

Section 9: Fuel Oil Conservation Incentives

We suggest that the Fuel Oil Conservation Board's functions be officially folded into the Energy Conservation Management Board. It no longer has staff (or funding) and the ECMB currently administers conservation programs for fuel oil customers using federal stimulus funding. We support the consolidation of state energy assistance programs to reduce customer confusion and minimize administrative costs.

Section 16: Integrated Resource Plan Report

We strongly support this section to ensure that the DPUC implement the energy efficiency first requirement of Public Act 07-242 and does supplant its policy for the policy of the state legislature and governor.

Section 17: Class III Efficiency Market

Class III of the RPS provides is a first-in-nation mechanism to encourage creative energy efficiency efforts above and beyond the programs run by the CT Energy Efficiency Fund. Currently it fails to achieve this objective as the Efficiency Fund is allowed to control the market by selling an unlimited number of Class III credits, which easily total the current Class III target of 4%. Class III also has the potential to be a funding source for residential energy efficiency projects.

To make this market work we support:

- increasing the percentage target to at least 12% by 2020
- Establish a cap of 25 percent on the amount of the Class III RPS market demand that the Conservation & Load Management Fund can meet. This will leave room to support investment by the private sector.
- Specify that 40% of the annual Class III RPS demand be placed into a reserve for residential projects
- Require that DPUC give preference to efficiency projects benefiting low-income housing or customers receiving fuel assistance
- Acknowledge the role of behavior-based strategies for energy conservation and efficiency; including the use of large scale data analyses of utility bill information for monitoring and verification
- Enable a fuel neutral strategy in the Class III RPS for energy conservation and efficiency for households (i.e., allow residential all-fuels measures to qualify as a Class III resource on the basis of BTU of energy saved)

Finally, while energy efficiency and combined heat and power projects should be abundantly available and attractive for customers to take part in, it is possible that the targets the legislature sets will be far too low or high. To protect ratepayers and inform policy-makers, section (f) should be modified to require strict reviews and reporting by the DPUC. As currently written DPUC would have broad discretion to determine what an "unreasonable" cost to ratepayers is, and that decision is better left to the legislature.

We suggest language requiring an annual review of the program to: compare the cost per kWh (or BTU) of energy saved to the utility-administered CT Energy Efficiency Fund, quantify the total energy savings, the price of Class III credits and total cost to ratepayers for the program (including system benefits), the total number of participants in each rate class (if known).

Section 19: Electric Utilities Renewable Energy Projects

We oppose this section as drafted. The electric distribution companies may have a role to play in developing renewable energy projects, but they must not be allowed to monopolize renewable energy markets and crowd out investment often by Connecticut-based start-up companies. Utilities have little incentive to control costs and are not necessarily nimble in deploying new technologies. Any role for the utilities in generating Class I renewable energy should be strictly limited and on a pilot basis until their value can be demonstrated, as in section 6 of House Bill 5362.